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Message Text

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17
ACTION TRSE-00

INFO OCT-01 EA-06 ISO-00 NEA-09 IO-10 H-01 L-02 PRS-01

PA-01 USIA-06 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 SS-15 STR-01 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

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R 030742Z FEB 75
FM AMEMBASSY MANILA
TO SECSTATE WASHDC 0321

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USADB

FOR NAC AGENCIES

TREASURY FOR ZINMAN

E.O. 11652: DECLAS 12/31/75
TAGS: EAID, EFIN
SUBJECT: ADB SUPPLEMENTARY BUDGET FUNDS NOT NEEDED

REF: MANILA 7778

1. DURING BD OF DIRECTORS MEETING ON JAN 30, PRESIDENT
WITH OBVIOUSLY ACUTE EMBARRASSMENT INFORMED BOARD THAT
1974 SUPPLEMENTARY BUDGET APPROVED OCT 17 PER REFTEL,
IN AMOUNT OF $980,000, WAS FOUND TO BE UNNEEDED.
ORIGINAL ADMINISTRATIVE EXPENSE BUDGET WAS $13,472,200
AND ACTUAL FINAL EXPENDITURES FOR YEAR ENDED DEC 31,
1974 WERE $13,452,845, OR AN UNEXPENDED SURPLUS OF
$19,355. ALTHOUGH EXPENDITURES FOR SOME ITEMS EXCEEDED
ESTIMATES, THESE WERE MORE THAN OFFSET BY SAVINGS
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FROM BUDGETED ITEMS FOR WHICH EXPENDITURES DID

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NOT REACH ESTIMATES. TOTAL EXPENDITURES WERE 99.86
PERCENT OF ORIGINAL ESTIMATED BUDGET; ONLY 93.09
PERCENT OR ORIGINAL BUDGET PLUS SUPPLEMENTAL AMOUNT.

2. IN ENSUING DISCUSSION, ALTHOUGH BD MEMBERS
ACKNOWLEDGED PRESIDENT'S PROFUSE APOLOGIES,
COMMENTS WERE MADE TO EFFECT THAT DISCLOSURE OF
ESTIMATED ERRORS THIS MAGNITUDE IN BUDGETING PROCESS
INDICATED SERIOUS DEFECTS IN BUDGETING PROCEDURES
OF BANK AND WOULD BE VIEWED WITH DISMAY BY MEMBER
COUNTRIES.

3. PRESIDENT ASKED FOR GUIDANCE FROM BOARD REGARDING
MANNER OF PRESENTING THIS INFORMATION IN ANNUAL
REPORT AND BUDGET REPORT TO BOARD OF GOVERNORS. HE
NOTED IMPLICATIONS WHICH DISCLOSURE OF MAGNITUDE THIS
ERROD HAD FOR CONFIDENCE IN ACCURACY OF 1975 BUDGET
ESTIMATES. TWO MAJOR ITEMS FOR WHICH SUBSTANTIAL
SUPPLEMENTAL FUNDS HAD BEEN REQUESTED AND AUTHORIZED
BUT LATER FOUND NOT NEEDED WERE STAFF TRAVEL ($148,900)
AND CONSULTANTS FEES ($300,000).

3. BD DISCUSSION OF PRESENTATION ASPECTS CENTERED ON
NECESSITY FOR REPORTS TO GOVERNORS BEING COMPLETELY
CANDID AND EXPLICIT, BUT NOT NECESSARILY HIGHLIGHTING
OR "ADVERTISING" BUDGETING ERROR. PRESIDENT'S
PROPOSED REPORTS WOULD LIST DETAILS OF ORIGINAL
BUDGET ITEMIZED IN COLUMNS ALONGSIDE DETAILED
EXPENDITURE RECORD, WHILE SIMPLE STATEMENT WOULD BE
MADE TO EFFECT THAT SUPPLEMENTAL BUDGER REQUESTED BY
MANAGEMENT AND APPROVED BY BOARD WAS LATER FOUND NOT
NEEDED. ALL DIRECTORS URGED AVOIDANCE OF ANY
"COVER-UP", BUT AGREED TO DOWNPLAY ISSUE PROVIDED
LEGAL OBLIGATION OF COMPLIANCE WITH BANK'S REPORTING
REQUIREMENTS WAS MET. ACTING GENERAL COUNSEL AGREED
TO REVIEW AND PROVIDE OPINION UPON RECEIPT OF PROPOSED
LANGUAGE IN DRAFT REPORTS AND SO INFORM BOARD.

4. RE RELIABILITY OF 1975 BUDGET ESTIMATES,
CONSENSUS OF DIRECTORS WAS TO AWAIT RECAP OF ACTUAL
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EXPENDITURES THRU MID-YEAR AND CONDUCT RIGOROUS BUDGET
REVIEW THEN IN LIGHT OF KNOWN MID-TERM DISBURSEMENTS.
IN MEANTIME, PRESIDENT WAS URGED TO REVIEW ALL
QUESTIONABLE ITEMS IN BUDGET AND IMPOSE PROVISIONAL
CEILING ON THOSE EXPENDITURES THEREBY AVOIDING ANY
TEMPTATION BY STAFF TO SPEND UP TO ORIGINAL CEILING.

5. SOME DIRECTORS STATED THAT BANK'S ADMINISTRATIVE

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BUDGET AND PLANNING DIVISION APPARENTLY REQUIRED
SAME KIND OF OUTSIDE CONSULTANT HELP BOOZ, ALLEN
AND HAMILTON IS GIVING IN PERSONNEL AREA.

6. COPY OF DETAILED LISTING OF ACTUAL 1974 ADMINI-
STRATIVE EXPENDITURES SHOWING BUDGET DISCREPANCIES
ITEM BY ITEM BEING POUCHED ZINMAN.
SULLIVAN

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Message Attributes

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Current Classification: UNCLASSIFIED
Concepts: BUDGETS
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Draft Date: 03 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
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Executive Order: N/A
Errors: N/A
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